Westonaria Local Municipality
Annual Financial Statements
for the year ended 30 June 2013

General Information

Legal form of entity	Westonaria Local Municipality
Legislation governing the municipality's operations	Municipal Finance Management Act (MFMA) (Act No. 56 of 2003)
Grading of Local Authority	Medium Capacity
Mayoral committee	
Executive Mayor	N. Tundzi
Speaker	S. Monoane
Councillors	J. M. Mafika (deceased 31 May, 2013) T. A. Mncube G. Khoza A. Gela A. Ntshiba N. Mkhumbuzi
Chief Finance Officer (CFO)	C. Ledwaba
Accounting Officer (AO)	T. C. Ndlovu
Registered office	C/o Neptunus and Saturnus Civic Centre Westonaria 1780
Business address	C/o Neptunus and Saturnus Civic Centre Westonaria 1780
Postal address	P. O. Box 19 Westonaria 1780
Bankers	ABSA Bank Westonaria
Auditors	Auditor General

Index

The reports and statements set out below comprise the annual financial statements presented to the municipal council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Westonaria Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The salaries, allowances and benefits of the Councillors are within the upper limits of the framework envisaged in Section 124 and 125 of the MFMA (Act No. 56 0f 2005).

The annual financial statements set out on pages 4 to 57, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013.

T. C. Ndlovu
Accounting Officer

Westonaria

31 August 2013

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality lies within the boundaries of the West Rand District Municipality (WRDM) and is the authorised local government within the demarcated boundaries of the town of Westonaria.

The financial position of the municipality is still precarious as a result of non-payment and high water and electricity distribution losses. Cash holdings, has declined further in the year under review when compared to last year due to the age of infrastructure. This is coupled to rising levels of abuse of the indigent system of free basic services by those who can pay but will not - the notion of entitlement to free services irrespective of ability to pay is still prevalent and perhaps growing. The steep rises in the cost of electricity from Eskom when combined with non payment has made for another difficult year.

Net deficit of the municipality was R19,650,945 (2012: surplus R 18,415,862)

Proportion of income and loss attributable to various classes of business:

2013

Classes of business	Proportion of contribution to income
Electricity	16 %
Water	22 %
Sewerage purification	4 %
Refuse removal	1 %
Grants	38 %

2012

Classes of business	Proportion of contribution to income
Electricity	16 %
Water	23 %
Sewerage purification	3 %
Refuse removal	1 %
Grants	43 %

For details of losses, refer to note 28.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these are: firstly, that the municipality's short term financing facility with its bank is maintained and not withdrawn; secondly, that it continues to receive the allocated grants from provincial and national governments; thirdly, that the level of collections does not deteriorate any further.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that has any influence on these financial statements.

Accounting Officer's Report

4. Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year are set out in Notes 3, 6, 9 and 10 of the financials. There were no changes in the policy relating to the use of non-current assets,

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

T. C. Ndlovu

7. Secretary

The secretarial function was performed by the Department Corporate Services.

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discusses the responsibilities of management in this respect, at council meetings and monitors the municipality's compliance with the code on a quarterly basis.

Audit and risk committee

The chairperson of the audit committee for the year under review was Mrs. R. Letsie, an independent audit committee member.

9. Bankers

ABSA Bank, Westonaria branch.

10. Auditors

The appointed auditors are the Auditor General.

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Consumer debtors	4	31,206,064	47,635,003
Other receivables from exchange transactions	5	7,358,103	11,863,559
Current portion of long-term receivables	6	954,658	834,785
Inventories	7	1,010,016	1,192,784
Cash and cash equivalents	8	8,729,400	4,063,523
		49,258,241	**65,589,654**
Non-Current Assets			
Investment property	10	66,524,904	66,524,904
Property, plant and equipment	9	1,274,376,111	1,264,493,851
Non-current receivables	6	742,097	835,736
		1,341,643,112	**1,331,854,491**
Total Assets		**1,390,901,353**	**1,397,444,145**
Liabilities			
Current Liabilities			
Bank	8	1,731,782	34,060,315
Trade and other payables from exchange transactions	11	95,789,004	32,907,563
Consumer deposits	12	2,514,847	2,786,241
VAT payable		5,943,501	8,984,306
Provisions	13	243,919	243,919
Unspent conditional grants and receipts	14	3,376,251	1,177,440
Long-term liabilities	15	10,373,768	6,968,635
		119,973,072	**87,128,419**
Non-Current Liabilities			
Long-term liabilities	15	15,793,961	14,320,142
Provisions	13	36,160,535	34,578,069
		51,954,496	**48,898,211**
Total Liabilities		**171,927,568**	**136,026,630**
Net Assets		**1,218,973,785**	**1,261,417,515**
Accumulated surplus		1,218,973,785	1,261,417,515

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	19	190,182,380	178,955,848
Rental of facilities and equipment	18	386,870	403,927
Licences and permits	17	17,024,009	3,492,970
Fees earned	17	1,817,513	867,762
IDP Projects Income (various)		615,778	-
Recoveries		45,931	3,772,049
Other income		1,253,670	1,273,684
Interest received	20	14,798,501	14,726,739
Property rates	18	31,401,676	26,892,580
Government grants & subsidies	21	165,385,174	178,059,672
Fines	17	11,550,468	5,531,596
Total revenue		**434,461,970**	**413,976,827**
Expenditure			
Employee related costs	23	(125,996,409)	(94,016,871)
Remuneration of councillors	24	(6,679,097)	(8,855,253)
Internal Charges / Charge Outs		(323,083)	(634,838)
Depreciation	25	(52,456,947)	(61,954,925)
Finance costs	26	(2,890,165)	(3,535,683)
Debt impairment	27	(48,554,979)	(13,042,384)
Collection costs		(3,481,710)	(4,445,572)
Repairs and maintenance		(9,213,732)	(9,572,069)
Bulk purchases	28	(157,669,703)	(149,911,667)
Contracted services	29	(12,932,692)	(9,724,569)
General Expenses	30	(26,286,558)	(34,628,387)
Total expenditure		**(446,485,075)**	**(390,322,218)**
Operating (deficit) surplus	32	**(12,023,105)**	**23,654,609**
Fair value adjustments	31	(7,627,840)	(5,238,747)
(Deficit) surplus for the year		**(19,650,945)**	**18,415,862**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	**1,277,046,359**	**1,277,046,359**
Changes in net assets		
Prior year restatement	(34,044,706)	(34,044,706)
Net income (losses) recognised directly in net assets	(34,044,706)	(34,044,706)
Surplus for the year	18,415,862	18,415,862
Total recognised income and expenses for the year	(15,628,844)	(15,628,844)
Total changes	(15,628,844)	(15,628,844)
Balance at 01 July 2012	**1,260,016,387**	**1,260,016,387**
Changes in net assets		
Other fair value gains (losses)	(21,391,657)	(21,391,657)
Net income (losses) recognised directly in net assets	(21,391,657)	(21,391,657)
Surplus for the year	(19,650,945)	(19,650,945)
Total recognised income and expenses for the year	(41,042,602)	(41,042,602)
Total changes	(41,042,602)	(41,042,602)
Balance at 30 June 2013	**1,218,973,785**	**1,218,973,785**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		254,177,145	175,324,913
Grants		182,140,504	170,557,060
Interest income		14,798,501	14,726,739
Other Income		1,253,670	2,404,568
Consumer Deposits		(271,394)	(39,996)
		452,098,426	362,973,284
Payments			
Employee costs		(135,344,634)	(102,872,124)
Payments to suppliers		(209,118,065)	(203,061,828)
Finance costs		(2,890,165)	(3,535,683)
		(347,352,864)	(309,469,635)
Net cash flows from operating activities	34	**104,745,562**	**53,503,649**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(91,751,053)	(154,558,166)
Proceeds from sale of property, plant and equipment	9	2,034,941	2,899,788
Proceeds from sale of non-current receivables		93,639	3,158,195
Restatement of property plant and equipment		-	33,890,838
Non-cash movement		16,992,369	45,566,174
Net cash flows from investing activities		**(72,630,104)**	**(69,043,171)**
Cash flows from financing activities			
Repayment of long-term liabilities		4,878,952	(8,235,499)
Net cash flows from financing activities		**4,878,952**	**(8,235,499)**
Net increase/(decrease) in cash and cash equivalents		**36,994,410**	**(23,775,021)**
Cash and cash equivalents at the beginning of the year		(29,996,792)	(6,221,771)
Cash and cash equivalents at the end of the year	8	**6,997,618**	**(29,996,792)**

Westonaria Local Municipality
Annual Financial Statements for the year ended 30 June 2013

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial Performance											
Property rates	34,147,000	-	34,147,000	-		34,147,000	31,401,676		(2,745,324)	92 %	92 %
Service charges	234,859,000	-	234,859,000	-		234,859,000	190,182,380		(44,676,620)	81 %	81 %
Investment revenue	545,000	-	545,000	-		545,000	14,798,501		14,253,501	2,715 %	2,715 %
Transfers recognised - operational	108,261,000	-	108,261,000	-		108,261,000	102,372,582		(5,888,418)	95 %	95 %
Other own revenue	38,619,000	65,756,000	104,375,000	-		104,375,000	32,694,239		(71,680,761)	31 %	85 %
Total revenue (excluding capital transfers and contributions)	**416,431,000**	**65,756,000**	**482,187,000**	**-**		**482,187,000**	**371,449,378**		**(110,737,622)**	**77 %**	**89 %**
Employee costs	(111,775,000)	1,438,000	(110,337,000)	-	-	(110,337,000)	(125,996,409)	-	(15,659,409)	114 %	113 %
Remuneration of councillors	(8,859,000)	(286,000)	(9,145,000)	-	-	(9,145,000)	(6,679,097)	-	2,465,903	73 %	75 %
Debt impairment	(24,402,000)	-	(24,402,000)			(24,402,000)	(48,554,979)	-	(24,152,979)	199 %	199 %
Depreciation and asset impairment	(7,201,000)	(57,830,000)	(65,031,000)			(65,031,000)	(52,456,947)	-	12,574,053	81 %	728 %
Finance charges	(10,866,000)	-	(10,866,000)	-	-	(10,866,000)	(2,890,165)	-	7,975,835	27 %	27 %
Materials and bulk purchases	(169,879,000)	-	(169,879,000)	-	-	(169,879,000)	(157,669,703)	-	12,209,297	93 %	93 %
Other expenditure	(81,976,000)	1,126,000	(80,850,000)	-	-	(80,850,000)	(59,865,615)	-	20,984,385	74 %	73 %
Total expenditure	**(414,958,000)**	**(55,552,000)**	**(470,510,000)**	**-**	**-**	**(470,510,000)**	**(454,112,915)**	**-**	**16,397,085**	**97 %**	**109 %**
Surplus/(Deficit)	**1,473,000**	**10,204,000**	**11,677,000**	**-**		**11,677,000**	**(82,663,537)**		**(94,340,537)**	**(708)%**	**(5,612)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	63,756,000	-	63,756,000	-		63,756,000	63,012,592		(743,408)	99 %	99 %
Surplus (Deficit) after capital transfers and contributions	**65,229,000**	**10,204,000**	**75,433,000**	**-**		**75,433,000**	**(19,650,945)**		**(95,083,945)**	**(26)%**	**(30)%**
Surplus/(Deficit) for the year	**65,229,000**	**10,204,000**	**75,433,000**	**-**		**75,433,000**	**(19,650,945)**		**(95,083,945)**	**(26)%**	**(30)%**
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	63,756,000	-	63,756,000	-		63,756,000	63,012,592		(743,408)	99 %	99 %
Borrowing	14,140,000	-	14,140,000	-		14,140,000	-		(14,140,000)	- %	- %
Internally generated funds	1,324,000	-	1,324,000	-		1,324,000	-		(1,324,000)	- %	- %
Total sources of capital funds	**79,220,000**	**-**	**79,220,000**	**-**		**79,220,000**	**63,012,592**		**(16,207,408)**	**80 %**	**80 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	81,020,000	-	81,020,000	-		81,020,000	104,745,562		23,725,562	129 %	129 %
Net cash from (used) investing	(65,244,000)	-	(65,244,000)	-		(65,244,000)	(72,630,104)		(7,386,104)	111 %	111 %
Net cash from (used) financing	(8,002,000)	-	(8,002,000)	-		(8,002,000)	4,878,952		12,880,952	(61)%	(61)%
Net increase/(decrease) in cash and cash equivalents	**7,774,000**	**-**	**7,774,000**	**-**		**7,774,000**	**36,994,410**		**29,220,410**	**476 %**	**476 %**
Cash and cash equivalents at the beginning of the year	13,708,000	-	13,708,000	-		13,708,000	(29,996,792)		(43,704,792)	(219)%	(219)%
Cash and cash equivalents at year end	**21,482,000**	**-**	**21,482,000**	**-**		**21,482,000**	**6,997,618**		**14,484,382**	**33 %**	**33 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2012				
Financial Performance				
Property rates				26,892,580
Service charges				178,955,848
Investment revenue				14,726,739
Transfers recognised - operational				126,584,872
Other own revenue				15,341,988
Total revenue (excluding capital transfers and contributions)				**362,502,027**
Employee costs	-	-	-	(94,016,871)
Remuneration of councillors	-	-	-	(8,855,253)
Debt impairment	-	-	-	(13,042,384)
Depreciation and asset impairment	-	-	-	(61,954,925)
Finance charges	-	-	-	(3,535,683)
Materials and bulk purchases	-	-	-	(149,911,667)
Other expenditure	-	-	-	(64,244,182)
Total expenditure	**-**	**-**	**-**	**(395,560,965)**
Surplus/(Deficit)				**(33,058,938)**
Transfers recognised - capital				51,474,800
Surplus (Deficit) after capital transfers and contributions				**18,415,862**
Surplus/(Deficit) for the year				**18,415,862**
Capital expenditure and funds sources				
Total capital expenditure				31,833,957

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				53,503,649
Net cash from (used) investing				(69,043,171)
Net cash from (used) financing				(8,235,499)
Net increase/(decrease) in cash and cash equivalents				**(23,775,021)**
Cash and cash equivalents at the beginning of the year				(6,221,771)
Cash and cash equivalents at year end				**(29,996,792)**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Allowance for slow moving, damaged and obsolete stock

An allowance to write stock down to the lower of cost or net realisable value. The write down included is accounted for in the Statement of Financial Performance.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Accruals

Accruals were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of accuals are included in note 13.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

As regards consumer debtors an impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the nominal value of estimated future cash flows computed at initial recognition. The effective rate charged on arrears is 15.0% per annum.

1.2 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months (see note 39).

1.4 Comparative figures

Budget information in accordance with GRAP 1 has been provided in note 47 and an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

	2013 Years	2012 Years
Infrastructure		
Roads, Storm water works	5-8	5-8
Civil structure, metal work, pipe work & communal services	5-100	5-100
Electrical infrastructure	3-60	3-60
Rail & rail networks	7-50	7-50
Other		
Plant and equipment	7-10	7-10
Motor vehicles	5-7	5-7
Office equipment	3-7	3-7
Furniture	7-10	7-10
Other	3-7	3-7
Library	3-10	3-10

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

Item	**Useful life**
Property - land	Indefinite

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Financial instruments

Initial recognition and measurement

Financial instruments are initially recognised at fair value.

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value are recognised in the Statement of Financial Performance.

Subsequent measurement

Financial instruments are subsequently measured at fair value, with surplus/deficit arising from changes in fair value being included in the Statement of Financial Performance.

Net surplus/deficit on the financial instruments at fair value through surplus or deficit.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

1.8 Financial instruments (continued)

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost.

Investments

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Receivables from exchange transactions

Trade and other receivables include sundry debtors and are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilties carried at amortised cost.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their fair value.

Payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liaibilities held at amortised cost, are intitially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially and subsequently measured at fair value. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

1.8 Financial instruments (continued)

Impairment of financial assets

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised as an expense in the Statement of Financial Performance.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or group, based on expected cash flows.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

Sale-of-Erven Loans

Sale-of-Erven Loans are assessed individually for impairment to ensure that no objective evidence exists that these loans are irrecoverable. These loans consist mainly of long-term loans to public and employees of the municipality. If the employees are still in the employ of the municipality, management is of the opinion that these loans are fully recoverable. Should this not be the case, a provision for the doubtful debt is made.

Sundry Deposits

Sundry deposits are classified as cash and cash equivalents.

Insurance Claims

Insurance Claims are in respect of expenditure incurred for assets replaced by the municipality and the settlement from the insurers is awaited. These are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Government Subsidy Claims

Government subsidy claims are individually assessed for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

Disposal of investments

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

1.8 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.9 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.10 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.11 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

1.11 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present (legal or constructive) obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.12 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

The requirements of GRAP 13 - Leases - of recognising operating lease payments as an expense on a straight-line basis over the lease term have been followed.

1.14 Revenue

Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

Revenue is measured at the fair value of the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity and water prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.14 Revenue (continued)

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses where revenue is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.17 and 1.18. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds 6 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave, and bonuses), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to multi emplyer and or municipal retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

The municipality provides retirement benefits for its employees and councillors. The payments to the multi-employer defined benefit retirement plans are charged as an expense as they fall due. The funds are administered on a provincial basis. Actuarial valuations are conducted on an tri-annual basis by independent actuaries separately for each plan on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or through increased future contributions on a proportional basis from all participating municipalities.

Other post retirement obligations

The medical aid funds to which the employees and councillors belong make provision for reduced employer contributions to the funds upon either retirement or early retirement due to ill health. These contributions are expensed as they fall due.

The quantum of the contribution is a set percentage based on whether the retiree was employed before or after 1 July 2004. The percentages and the date were established by SALGA in terms of its negotiations with the respective medical aid funds on behalf of all the municipalities.

1.17 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.17 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.17 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.18 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.19 Share capital / contributions from owners

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Accounting Policies

1.23 Budget information (continued)

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior period.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2009 Annual Improvements Project: Amendments to IFRIC 9 (AC 442) Reassessment of Embedded Derivatives
2009 Annual Improvements Project: Amendments to IFRIC 16 (AC 449) Hedges of a Net Investment in a Foreign Operation

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	
• GRAP 26: Impairment of cash-generating assets	01 April 2012	
• GRAP 104: Financial Instruments	01 April 2012	

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3: Determining Whether an Arrangement Contains a Lease
IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6: Loyalty Programmes
IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9: Distributions of Non-cash Assets to Owners
IGRAP 10: Assets Received from Customers
IGRAP 13: Operating Leases – Incentives
IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15: Revenue – Barter Transactions Involving Advertising Services
GRAP 1 (as revised 2010): Presentation of Financial Statements
GRAP 2 (as revised 2010): Cash Flow Statements
GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors
GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates
GRAP 9 (as revised 2010): Revenue from Exchange Transactions
GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies
GRAP 11 (as revised 2010): Construction Contracts
GRAP 12 (as revised 2010): Inventories
GRAP 13 (as revised 2010): Leases
GRAP 14 (as revised 2010): Events After the Reporting Date
GRAP 16 (as revised 2010): Investment Property
GRAP 17 (as revised 2010): Property, Plant and Equipment
GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations
GRAP 21: Impairment of non-cash-generating assets
GRAP 23: Revenue from Non-exchange Transactions
GRAP 24: Presentation of Budget Information in the Financial Statements
GRAP 25: Employee benefits
GRAP 26: Impairment of cash-generating assets
GRAP 103: Heritage Assets
GRAP 104: Financial Instruments
GRAP 105: Transfers of functions between entities under common control
GRAP 106: Transfers of functions between entities not under common control

3. New standards and interpretations (continued)

GRAP 107: Mergers

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	
• GRAP 107: Mergers	01 April 2014	
• GRAP 20: Related parties	01 April 2013	
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	
• GRAP 12 (as revised 2012): Inventories	01 April 2013	
• GRAP 13 (as revised 2012): Leases	01 April 2013	
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	
• IGRAP16: Intangible assets website costs	01 April 2013	
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods and are relevant to its operations:

GRAP 9: Revenue from exchange transactions
GRAP 12: Inventories
GRAP 13: Leases
GRAP 14: Events after reporting date
GRAP 24: Presentation of budget information in the financial statements
GRAP 103: Heritage Assets
IPSAS 21: Impairment of Non Cash-Generating Assets

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	
• GRAP 103: Heritage Assets	01 April 2012	
• IPSAS 21: Impairment of Non Cash-Generating Assets	01 April 2009	

Figures in Rand	2013	2012

4. Consumer debtors

Gross Balances		
Rates	31,219,024	24,272,319
Electricity	13,951,597	10,684,497
Water	53,280,645	61,163,811
Sewerage	8,142,540	9,228,498
Refuse	6,773,385	7,001,004
Regional services levies	49,027,127	-
Other (Vat, capital, interest, reconnection fees etc.)	19,785,745	60,793,688
	182,180,063	**173,143,817**
Less: Allowance for impairment		
Rates	(28,149,180)	(18,194,328)
Electricity	(5,877,808)	(5,475,457)
Water	(45,543,880)	(50,845,887)
Sewerage	(4,533,549)	(3,976,954)
Refuse	(5,973,338)	(5,679,471)
Interest	(46,311,288)	(28,826,628)
Other (Vat, capital, reconnnection fees etc.)	(14,584,956)	(12,510,089)
	(150,973,999)	**(125,508,814)**
Net balance		
Rates	3,069,844	6,077,991
Electricity	8,073,789	5,209,040
Water	7,736,765	10,317,924
Sewerage	3,608,991	5,251,544
Refuse	800,047	1,321,533
Regional services levies	2,715,839	(28,826,628)
Other (Vat, capital, interest, reconnection fees etc.)	5,200,789	48,283,599
	31,206,064	**47,635,003**
Rates		
Current (0 -30 days)	2,302,962	18,906,687
31 - 60 days	1,306,072	211,065
61 - 90 days	1,074,990	263,974
91 - 120 days	1,029,994	124,952
121+ days	25,505,006	4,765,641
	31,219,024	**24,272,319**
Electricity, water, sewerage, refuse and rental (excludes VAT, interest, capital and reconnection fees)		
Current (0 -30 days)	7,925,877	11,531,724
31 - 60 days	1,920,070	2,311,472
61 - 90 days	1,231,048	1,935,202
91 - 120 days	940,929	1,569,007
121+ days	82,714,683	68,063,834
	94,732,607	**85,411,239**
Reconciliation of debt impairment provision for consumer debtors		
Balance at beginning of the year	(125,508,814)	(115,477,264)
Contribution to provision	(25,465,185)	(10,031,550)
Balance at the end of the year	**150,973,999**	**125,508,814**

Reconciliation of debt impairment provision for long-term, trade and other receivables
Contributions to provision:

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Long-term receivables	(4,129,513)	(4,129,513)
Trade and other receivables	(1,523,681)	(1,523,681)
Balance at the end of the year	**(5,653,194)**	**(5,653,194)**
Total provisions held for all receivables	**(156,627,193)**	**(131,162,008)**

Details of long-term receivables are contained in note 6 and trade and other receivables in note 5.

Reconciliation of allowance for impairment

Balance at beginning of the year	(125,508,814)	(115,477,264)
Debt impairment written off against allowance	(25,465,185)	(10,031,550)
	(150,973,999)	**(125,508,814)**

5. Other receivables from exchange transactions

Guarantees in lieu of electricity and water deposits	120,000	120,000
Overtime and bonuses paid in advance	2,102,571	1,839,863
SARS (VAT Receivable)	-	9,733,824
Sundry debtors	6,659,213	1,647,136
Provision for bad debts - sundry debtors	(1,523,681)	(1,523,681)
Sundry debtors with credit balances	-	46,417
	7,358,103	**11,863,559**

6. Non-current receivables

Sale of stands	5,825,267	5,756,696
Bursary loans	1,000	1,000
Long term debtors with credit balances	-	42,337
	5,826,267	**5,800,033**
Less: Current portion		
Department of Health	954,658	834,785
Less: Provision for doubtful debts		
Sale of stands	4,129,513	4,129,513
Non-Current Portion	**742,096**	**835,735**

Long-term receivables with credit balances

Long-term receivables with credit balances are shown in note 11.

7. Inventories

Consumable stores - at cost	987,596	1,292,397
Stock in transit	22,420	(99,613)
	1,010,016	**1,192,784**

Stock in transit is shown as creditors in trade and other payables in note 11.

8. Cash and cash equivalents

Cash on hand	17,070	13,700

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

8. Cash and cash equivalents (continued)

Short-term deposits	2,514,848	3,966,300
Current portion of Pledged Investments	6,197,482	83,523
Bank overdraft	(1,731,782)	(34,060,315)
	6,997,618	**(29,996,792)**

Current assets	8,729,400	4,063,523
Current liabilities	(1,731,782)	(34,060,315)
	6,997,618	**(29,996,792)**

There are no restrictions with regard to the use of cash balances.

The municipality had the following bank accounts

Account details	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Westonaria Account 590-000-019 (primary bank account)	5,328,254	5,278,314	868,361	-	(34,060,315)	(14,454,085)

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings (including land)	90,675,576	(51,385,223)	39,290,353	88,567,580	(46,987,407)	41,580,173
Capital Spares	2,616,499	-	2,616,499	2,616,499	-	2,616,499
Community Facilities (including land)	257,345,098	(65,934,675)	191,410,423	247,778,741	(64,221,634)	183,557,107
Electricity Network	333,693,523	(219,149,610)	114,543,913	325,390,029	(209,546,241)	115,843,788
Housing (including land)	37,942,245	(30,791,330)	7,150,915	38,765,980	(30,344,228)	8,421,752
Rail Network	6,314,899	(3,566,053)	2,748,846	6,314,899	(3,471,980)	2,842,919
Roads and Stormwater Network	1,028,283,460	(386,784,239)	641,499,221	1,007,539,638	(367,113,430)	640,426,208
Sanitation Network	338,508,576	(163,794,883)	174,713,693	330,179,795	(186,528,177)	143,651,618
Sport & Recreation Facilities (including land)	39,137,599	(18,913,548)	20,224,051	37,814,143	(17,991,888)	19,822,255
Water Supply Network	195,379,659	(115,201,462)	80,178,197	187,296,276	(81,564,744)	105,731,532
Total	**2,329,897,134**	**(1,055,521,023)**	**1,274,376,111**	**2,272,263,580**	**(1,007,769,729)**	**1,264,493,851**

Reconciliation of property, plant and equipment - 2013

	Restated 2012 Opening balance	Additions - Completed Assets	Additions - WIP	Disposals	Re-classification	Transfers from WIP to completed assets	Transfer cost and provision of landfill site	Depreciation	Total
Buildings (including land)	41,580,173	401,798	495,959	-	1,040,596	(4,247,610)	2,296,700	(2,277,263)	39,290,353
Capital Spares	2,616,499	-	-	-	-	-	-	-	2,616,499
Community Facilities (including land)	183,557,107	19,956,842	10,958,645	(1,928,265)	(209,945)	(15,904,911)	814,484	(5,833,534)	191,410,423
Electricity Network	115,843,788	-	7,211,952	-	610,012	-	-	(9,121,839)	114,543,913
Housing (including land)	8,421,752	-	-	-	(177,978)	-	-	(1,092,859)	7,150,915
Rail Network	2,842,919	-	-	-	-	-	-	(94,073)	2,748,846
Roads and Stormwater network	640,426,207	10,129,445	24,336,588	-	(1,310,102)	(10,032,065)	-	(22,050,852)	641,499,221
Sanitation Network	143,651,618	-	8,328,780	-	27,951,039	-	-	(5,217,744)	174,713,693

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Sport & recreation Facilities (including land)	19,822,254	-	1,847,662	(106,676)	-	(303,499)	-	(1,035,690)	20,224,051
Water Supply Network	105,731,532	-	8,083,382	-	(27,903,622)	-	-	(5,733,095)	80,178,197
	1,264,493,849	**30,488,085**	**61,262,968**	**(2,034,941)**	**-**	**(30,488,085)**	**3,111,184**	**(52,456,949)**	**1,274,376,111**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions - Completed Assets	Additions - WIP	Disposals	Transfers from WIP to completed projects	Depreciation	Total
Buildings (including land)	42,021,979	-	4,612,577	(512,047)	(1,499,574)	(3,042,762)	41,580,173
Capital Spares	-	2,616,499	-	-	-	-	2,616,499
Community Facilities (including land)	174,497,700	17,966,905	15,471,671	(143,351)	(17,966,905)	(6,268,913)	183,557,107
Electricity Network	122,505,752	439,812	2,616,501	(56,671)	(2,616,501)	(7,045,105)	115,843,788
Housing (including land)	9,794,891	-	-	-	-	(1,373,139)	8,421,752
Rail Network	3,006,857	-	-	-	-	(163,938)	2,842,919
Roads and Stormwater Network	647,213,888	33,443	29,326,203	-	(3,550,952)	(32,596,374)	640,426,208
Sanitation Network	127,178,651	16,471,618	46,304,118	(1,922,021)	(39,229,979)	(5,150,769)	143,651,618
Sport & Recreation Facilities (including land)	20,610,474	-	379,737	-	-	(1,167,956)	19,822,255
Water Supply Network	92,824,117	18,319,082	-	(265,698)	-	(5,145,969)	105,731,532
	1,239,654,309	**55,847,359**	**98,710,807**	**(2,899,788)**	**(64,863,911)**	**(61,954,925)**	**1,264,493,851**

Pledged as security

No assets are pledged as securities for liabilities. Detailed asset register is availabe on-site.

10. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Undeveloped Land	66,524,904	-	66,524,904	66,524,904	-	66,524,904

Reconciliation of investment property - 2013

	Opening balance	Total
Undeveloped Land	66,524,904	66,524,904

Reconciliation of investment property - 2012

	Opening balance	Fair value adjustments	Total
Undeveloped land	71,763,651	(5,238,747)	66,524,904

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

11. Trade and other payables from exchange transactions

	2013	2012
Trade payables	72,004,214	24,541,059
Long-term debtors with credit balances	-	42,337
Stock in transit	-	99,613
Salary creditors	9,635,797	38,736
Debtors with credit balances	3,148,014	1,893,380
Sundry debtors with credit balances	-	46,417
Unclaimed monies	4,818,350	63,392
Accrued leave pay	6,182,629	6,182,629
	95,789,004	**32,907,563**

Maturity Analysis

Trade and other Payables	2013	2012
30 days	44,474,413	24,390,055
60 days	9,679,575	149,636
90 days	31,976,650	1,368
	86,130,638	**24,541,059**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

11. Trade and other payables from exchange transactions (continued)

Long term debtors with credit balances		
30 days	-	42,337
Stock in transit		
30 days	22,419	99,613
Salary creditors		
30 days	9,635,797	38,736
Debtors with credit balances		
30 days	829,775	387,772
60 days	132,031	163,514
90 days	125,200	33,136
More than 90 days	2,061,008	1,308,958
	3,148,014	**1,893,380**
Sundry debtors with credit balances		
30 days	-	6,925
60 days	-	2,727
90 days	-	-
More than 90 days	-	36,765
	-	**46,417**
Unclaimed monies		
30 days	-	63,242

12. Consumer deposits

Electricity & water	2,514,847	2,786,241
Guarantees in lieu of electricity and water deposits	120,000	120,000

All consumers are required to lodge a deposit equating to two months consumption of electricity and water services. These deposits are only refunded once the service is terminated. No interest is paid on deposits.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

13. Provisions

Reconciliation of Provisions - 2013

	Opening Balance	Additions	Total
Landfill site rehabilitation	34,578,069	1,582,466	36,160,535
Labour dispute	243,919	-	243,919
	34,821,988	**1,582,466**	**36,404,454**

Reconciliation of Provisions - 2012

	Opening Balance	Additions	Total
Landfill site rehabilitation	-	34,578,069	34,578,069
Labour dispute	-	243,919	243,919
	-	**34,821,988**	**34,821,988**

	2013	2012
Non-current liabilities	36,160,535	34,578,069
Current liabilities	243,919	243,919
	36,404,454	**34,821,988**

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 8.1649%, over an average period of 10 years.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of

Unspent conditional grants and receipts	2013	2012
Bekkersdal Urban Renewal Project (BURP)	32,692	32,692
DPLG/DBSA	-	(326,970)
EPWP	-	(2,230,930)
FMG	1,824	1,837
Interns (SAICE)	2,373,220	2,446,669
MSIG	3,857	-
Provincial Health Subsidy	954,658	494,141
Solar Project	10,000	10,000
WCWDM (War on Leaks program)	-	750,001
	3,376,251	**1,177,440**

Movement during the year

	2013	2012
Balance at the beginning of the year	1,177,440	12,409,002
Income recognition during the year	2,198,811	(11,231,562)
	3,376,251	**1,177,440**

See note 21 for the reconciliation of grants from National/Provincial Government as well as details of MIG Grants. The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited. Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

15. Long term liabilities

At amortised cost		
Annuity Loans	13,435,020	21,288,777
Annuity loans are fixed rate loans. Interest and capital on redemption of annuity loans are payable monthly		
Enterprise Loan	12,732,709	-
Fixed rate enterprise loan, from Standard Bank at interest rate of 9.85% that commenced 31 December 2012		
	26,167,729	**21,288,777**
Non-current portion		
Annuity Loans	6,612,752	14,320,142
Enterprise Loan	9,181,209	-
	15,793,961	**14,320,142**
Current portion		
Annuity Loans	6,822,268	6,968,635
Enterprise Loan	3,551,500	-
	10,373,768	**6,968,635**

16. Employee benefit obligations

There are 6 retirement funds into which Councillors and employees contribute. Further detail of retirement funds and medical aid plans are provided below.

Defined contribution plan

There are 4 defined contribution retirement funds.

These funds are subject to a triennial actuarial valuation. The last valuation was performed as at 30 September 2011. Its liabilities as at that date were R36,492,760 with accumulated reserves totalling R1,959,557,901 which are financed by assets with a market value of R2,001,464,541. Information requested on the latest valuation of the Pension Fund for Councillors was outstanding at the date of this report. The market value of Pension Funds in general was effected by external international market forces. The impact of this on the relevant defined benefit funds was not known at date of this financial satements.

An amount of R11,4 million (2012: R10 million) was contributed by the Municipality in respect of Councillor and employees retirement funds. These contributions have been expensed.

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans. The municipality accounted for these plans as defined contribution plans.

Defined benefit plan

There are 2 defined benefit retirement funds.

The first fund to which 7 (2012 - 8) employees contribute is within the ambit of the Joint Municipal Pension Fund (JMPF) structure. The second to which Councillors contribute, is within the ambit of the Municipal Employees Pension Fund structure. It is a closed fund and no more employees can join the fund.

Information requested on the latest valuation of the Pension Fund for Councillors was outstanding at the date of this report. The market value of Pension Funds in general was effected by external international market forces. No information has still been received from the Pension Funds on the latest valuation as at 30 June 2009, despite mumerous written requests for this information. The impact of this on the relevant defined benefit funds was not known at date of these financial statements.

Post retirement medical aid plan

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

16. Employee benefit obligations (continued)

Medical aid funds include K Health, Bonitas, LA Health, Samuhealth and Hosmed.

The basis of benefits paid - applicable to all medical aids - as per the agreement by SALGA icludes the following:

- Employees who have retired or who have been boarded
- Those employed before 1 July 2004 - WLM continues to pay 70% of WLM's contribution that was paid whilst employed.
- Those employed after 1 July 2004 - WLM continues to pay 60% of WLM's contribution that was paid whilst employed.

Post retirement medical aid funds		
Contribution to post retirement medical aid funds	938,183	1,004,707

The above amounts are included in employee related benefits (note 23) as costs - contributions to medical aid funds.

17. Revenue

Service charges	190,182,380	178,955,848
Rental of facilities and equipment	386,870	403,927
Licences and permits	17,024,009	3,492,970
Fees earned	1,817,513	867,762
IDP Projects income (various)	615,778	-
Recoveries	45,931	3,772,049
Other income	1,253,670	1,273,684
Interest received	14,798,501	14,726,739
Property rates	31,401,676	26,892,580
Government grants & subsidies	165,385,174	178,059,672
Fines	11,550,468	5,531,596
	434,461,970	**413,976,827**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	190,182,380	178,955,848
Rental of facilities and equipment	386,870	403,927
Licences and permits	17,024,009	3,492,970
Fees earned	1,817,513	867,762
IDP Projects income (various)	615,778	-
Recoveries	45,931	3,772,049
Other income	1,253,670	1,273,684
Interest received	14,798,501	14,726,739
	226,124,652	**203,492,979**

Taxation revenue		
Property rates	31,401,676	26,892,580
Transfer revenue		
Government grants & subsidies	165,385,174	178,059,672
Fines	11,550,468	5,531,596
	208,337,318	**210,483,848**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

18. Property rates

Rates received

Commercial, industrial and rural land	37,858,766	17,488,318
Exemption rebate	(1,783,812)	(2,414,735)
Pensioner in rebate	(226,891)	(203,549)
Phase in rebate	-	(1,966,914)
Residential	-	18,397,901
Residential valuation rebate	(4,446,387)	(4,408,441)
	31,401,676	**26,892,580**

Valuations

Property value (Property Rates Act)	3,059,306,255	3,059,306,255

Valuations on land and buildings are performed every 3 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

In terms of the Propery Rates Act which was implemented on 1 July 2009, the basis of taxation is now calculated on the property value (previously only the land value was taxable).

A general rate is applied to property valuations to determine property rates. Rebates are granted to certain property owners, based on a sliding scale based on the property rates policy and property rates regulations.

Rates are calculated on an annual basis, levied monthly and are payable by the 8th day of the following month. Interest is levied on rates outstanding at 15% per annum.

19. Service charges

Sale of electricity	49,514,886	46,705,443
Sales of pre-paid electricity	20,305,348	18,127,800
Sale of water	97,026,952	94,827,883
Refuse removal	6,546,016	6,115,617
Sewerage and sanitation charges	16,643,942	13,057,622
Other service charges	145,236	121,483
	190,182,380	**178,955,848**

20. Interest revenue

Interest on investments	550,750	512,185
Interest received from outstanding debtors	14,247,751	14,214,554
	14,798,501	**14,726,739**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

21. Government grants and subsidies

Operating grants		
Equitable share	91,759,316	82,640,000
Provincial Health Subsidy	738,253	810,873
MIG - Operational Expenditure	2,715,408	2,709,200
DAC Funding and Equitable Share - Libraries	2,240,000	4,573,424
MSIG	996,143	800,000
FMG	1,250,013	1,248,163
Contribution from WRDM	-	8,666,705
Regional Sewage Treatment Plant	-	15,827,739
DPLG/DBSA	-	2,034,963
Bekkersdal Urban Renewal Project (BURP)	-	3,899,544
Solar Project	-	10,000
EPWP Grant	1,000,000	2,810,930
ISDG/Interns (SAICE) Grant	1,673,449	553,331
	102,372,582	126,584,872
Capital grants		
MIG - Capital Expenditure	63,012,592	51,474,800
	63,012,592	51,474,800
	165,385,174	**178,059,672**

Equitable share

Current-year receipts	91,759,316	82,640,000
Conditions met - transferred to revenue	(91,759,316)	(82,640,000)
	-	-

The equitable share allocation reflects the equitable division of Revenue raised nationally amongst spheres of Government in terms of the Division of Revenue Act, No. 1 of 2010. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. It is also used to finance operational expenditure and Councillor remuneration.

BURP

Balance unspent at beginning of year	32,692	4,410,031
Conditions met - transferred to revenue	-	(3,899,544)
Other	-	(477,795)
	32,692	**32,692**

Contribution from WRDM

Balance unspent at beginning of year	-	6,666,705
Current-year receipts	-	2,000,000
Conditions met - transferred to revenue	-	(8,666,705)
	-	-

DAC Funding and Equitable Share - Libraries

Balance unspent at beginning of year	-	1,973,424
Current-year receipts	2,240,000	2,600,000
Conditions met - transferred to revenue	(2,240,000)	(4,573,424)
	-	-

DPLG/DBSA

Figures in Rand	2013	2012

21. Government grants and subsidies (continued)

Balance unspent at beginning of year	(326,970)	(955,339)
Current-year receipts	-	2,948,227
Conditions met (capital expenditure) - transferred to revenue	-	(2,034,963)
VAT - recognised as revenue	-	(284,895)
Expenditure incurred	(1,000,000)	-
	(1,326,970)	**(326,970)**

EPWP

Balance unspent at beginning of year	(2,230,930)	-
Current-year receipts	1,000,000	580,000
Conditions met - transferred to revenue	(1,000,000)	(2,810,930)
Expenses incurred	(818,808)	-
	(3,049,738)	**(2,230,930)**

FMG

Balance unspent at beginning of year	1,837	-
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,013)	(1,248,163)
	1,824	**1,837**

ISDG/Interns (SAICE)

Balance unspent at beginning of year	2,446,669	-
Current-year receipts	1,600,000	3,000,000
Conditions met - transferred to revenue	(1,673,449)	(553,331)
	2,373,220	**2,446,669**

MIG - Capital expenditure

Current-year receipts	63,012,592	51,474,800
Government grant (capital) 1	(63,012,592)	(51,474,800)
	-	**-**

MIG - Operational expenditure

Current-year receipts	2,715,408	2,709,200
Conditions met - transferred to revenue	(2,715,408)	(2,709,200)
	-	**-**

MSIG

Current-year receipts	1,000,000	800,000
Conditions met - transferred to revenue	(996,143)	(800,000)
	3,857	**-**

Provincial Health subsidy

Balance unspent at beginning of year	494,141	314,182
Current-year receipts	1,198,770	990,832
Conditions met - transferred to revenue	(738,253)	(810,873)
	954,658	**494,141**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

21. Government grants and subsidies (continued)

Regional sewage treatment plant

Current-year receipts	-	18,046,750
Conditions met - transferred to revenue	-	(15,827,739)
VAT - recognised as revenue	-	(2,216,268)
Other	-	(2,743)
	-	**-**

Solar Project

Balance unspent at beginning of year	10,000	-
Current-year receipts	-	20,000
Conditions met - transferred to revenue	-	(10,000)
	10,000	**10,000**

All grants: conditions still to be met - remain liabilities (see note 14).

22. Other revenue

Electricity connection fees	1,817,513	867,762
Other income	1,253,670	1,273,684
IDP Projects Income (various)	615,778	-
VAT refund	45,931	3,772,049
	3,732,892	**5,913,495**

23. Employee related costs

Acting allowances	1,022,944	1,523,733
Basic	63,780,670	52,652,374
Bonus	4,364,959	3,591,178
Group life	890,064	786,403
Housing benefits and allowances	583,701	497,409
Leave pay provision charge	18,262	-
Long-service awards	2,713,602	2,374,890
Medical aid - company contributions	9,093,525	8,307,032
Other payroll levies	37,586	26,553
Other short term costs	11,838,998	6,218
Overtime payments	6,816,858	7,995,780
Post-employment benefits - Pension - Defined contribution plan	11,402,083	9,312,173
Protective clothing	1,060,713	72,856
SDL	1,753,465	527,011
Standby allowance	892,733	982,856
Telephone allowance	818,674	279,456
Temporary employees	5,307	65,801
Travel, motor car, accommodation, subsistence and other allowances	8,256,323	4,502,708
UIF	645,942	480,336
Uniforms and overalls	-	32,104
	125,996,409	**94,016,871**

Remuneration of Municipal Manager

Annual Remuneration	1,199,939	690,366
Travel, motor car, accomodation, subsistence and other allowances	72,000	60,029
Contributions to UIF, medical and pension funds	1,856	8,299
	1,273,795	**758,694**

Figures in Rand	2013	2012

23. Operating (deficit) surplus (continued)

The C.O.O. of Mogale City was acting Municipal Manager until 31 October 2011 and was appointed in 1 November 2011.

Remuneration of Chief Finance Officer (Manie van Brakel)

Annual Remuneration	566,279	884,496
Travel, motor car, accomodation, subsistence and other allowances	68,600	99,600
Contributions to UIF, medical and pension funds	48,770	87,658
	683,649	**1,071,754**

The CFO, Manie van Brakel resigned on 31 January 2013.

Remuneration of Chief Financial Officer (Charles Ledwaba)

Annual Remuneration	242,932	-
Travel, motor car, accomodation, subsistence and other allowances	20,000	-
Contributions to UIF, medical and pension funds	4,651	-
	267,583	**-**

The new CFO, Charles Ledwaba was appointed on 1 March 2013.

Remuneration of individual Executive Manager (ID&P Services)

Annual Remuneration	-	710,749
Telephone allowance	-	13,500
Car allowance	-	70,740
Contributions to UIF, medical and pension funds	-	9,264
	-	**804,253**

This position was filled by Mr. Govender from WRDM.

Remuneration of individual Executive Managers (Corporate Services)

Annual Remuneration	548,484	296,220
Telephone allowance	-	3,000
Car allowance	156,000	60,000
Contributions to UIF, medical and pension funds	153,176	30,106
	857,660	**389,326**

The executive was appointed on 1January 2012.

Remuneration of individual Executive Directors (Community Services)

Annual Remuneration	548,484	742,632
Telephone allowance	-	18,000
Car allowance	156,000	108,000
Contributions to UIF, medical and pension funds	153,176	201,109
	857,660	**1,069,741**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. Remuneration of Councillors

Remuneration of Councillors	6,679,097	8,855,253

Executive Mayor		
Annual remuneration	384,756	458,916
Telephone allowance	39,828	37,752
Car allowance	161,376	152,964
Contributions to UIF, medical and pension funds	102,938	-
	688,898	**649,632**

Speaker		
Annual remuneration	315,768	367,128
Telephone allowance	19,872	18,840
Car allowance	121,032	122,376
Contributions to UIF, medical and pension funds	47,365	-
	504,037	**508,344**

MMC: Financial services		
Annual remuneration	289,454	344,196
Telephone allowance	18,216	18,840
Car allowance	110,946	114,720
Contributions to UIF, medical and pension funds	43,418	-
	462,034	**477,756**

The MMC for financial service passed away on 31 May, 2013.

MMC: Corporate services		
Annual remuneration	315,768	344,196
Telephone allowance	19,872	18,840
Car allowance	121,032	114,720
Contributions to UIF, medical and pension funds	47,365	-
	504,037	**477,756**

MMC: Health and social services		
Annual remuneration	315,768	344,196
Telephone allowance	19,872	18,840
Car allowance	121,032	114,720
Contributions to UIF, medical and pension funds	47,365	-
	504,037	**477,756**

MMC: Public safety services		
Annual remuneration	315,768	344,196
Telephone allowance	19,872	18,840
Car allowance	121,032	114,720
Contributions to UIF, medical and pension funds	47,365	-
	504,037	**477,756**

MMC: Human settlement		
Annual remuneration	315,768	344,196
Telephone allowance	19,872	18,840
Car allowance	121,032	114,720
Contributions to UIF, medical and pension funds	47,365	-
	504,037	**477,756**

Figures in Rand	2013	2012

24. Remuneration of Councillors (continued)

MMC: Infrastructure services

Annual remuneration	315,768	344,196
Telephone allowance	19,872	18,840
Car allowance	121,032	114,720
Contributions to UIF, medical and pension funds	47,365	-
	504,037	**477,756**

Councillors

Annual remuneration	2,568,818	3,094,033
Telephone allowance	177,276	270,204
Car allowance	998,514	1,055,424
Contributions to UIF, medical and pension funds	430,546	411,080
	4,175,154	**4,830,741**

Remuneration terms and in-kind benefits

Councillors were remunerated in terms of Government notice No. 33867 dated 10 November 2010.

The executive mayor, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support and the cost of council.

The executive mayor has use of a council owned vehicle for official duties and 2 full-time bodyguards.

25. Depreciation

Property, plant and equipment	52,456,947	61,954,925

See note 9 for more detail on property, plant end equipment.

26. Finance costs

Interest paid on long-term liabilities	2,890,165	3,535,683

27. Debt impairment

Contribution to debt impairment provision	48,554,979	13,042,384

28. Bulk purchases

Electricity	65,903,548	53,991,639
Water	91,766,155	95,920,028
	157,669,703	**149,911,667**

Unaccounted for water and electricity

The summary of electricity losses for the year is 27.20% made up of purchases of 94,302,553 kilo watts and sales of 68,955,517 kilo watts, resulting in a loss of 25,647,036 kilo watts.

The summary of water losses for the year is 11% made up of purchases of 17,920,822 kilo litres and sales of 15,877,699 kilo litres resulting in a loss of 2,043,127 kilo litres. When compared to water sales excluding sales to mines, the loss for the year is 31% made up of purchases of 6,607,655 kilo litres and sales of 4,564,528 kilo litres resulting in the loss of 2,043,127 kilo litres. The technical loss total 10%.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

29. Contracted services

Operating Leases	3,218,694	1,483,612
Specialist Services	9,713,998	8,240,957
	12,932,692	**9,724,569**

30. General expenses

Advertising	505,024	478,763
Asset infrastructure management system	-	1,328,506
Auditors remuneration	256,578	-
BURP project expenses	132,582	3,570,597
Bank charges	500,118	563,668
Chemicals	371,737	420,268
Consumables	328,808	14,313
Community development HIV	112,936	23,000
Computer expenses	-	4,799
Consulting and professional fees	487,909	-
Data clean up GSSC	19,950	138,789
Dustbins	-	1,047,215
Gifts	7,500	300
EPWP grant	1,818,808	2,810,930
Entertainment	377,391	298,323
Fertilizer	34,746	1,000
Conferences and seminars	34,987	361,868
Fines and penalties	-	3,077,690
Fuel and oil	1,778,156	17,602
HIV/AIDS	586,665	810,873
Health campaigns	-	3,850
Insurance	795,044	783,147
Grant Expenditure	53,335	-
Interns IDP	179,449	553,628
Lease rentals on operating lease	111,273	727,337
Levies	3,556	1,961,260
Library expenditure (DAC Funding)	(785,975)	2,626,734
Licenses	222,656	1,020,604
MSIG asset management	558,666	800,000
Marketing	96,549	-
Medical expenses	35,034	5,551
Other expenses	6,021,344	4,823,500
Postage and courier	259,696	230,387
Printing and stationery	1,368,522	2,029,980
Project maintenance costs	15,745	1,282
Promotion of town	198,400	578,162
Refuse	1,354,470	-
Software expenses	2,768,301	232,197
Solar project	-	10,000
Stock and materials	171,552	191,910
Subscriptions and membership fees	3,507,254	645,118
Telephone and fax	1,779,179	2,039,047
Travel - local	218,613	396,189
	26,286,558	**34,628,387**

31. Fair value adjustments

Investment property (Fair value model)	(7,627,840)	(5,238,747)

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

32. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating Lease - Premises		
• Contractual amounts	-	5,124
Operating Lease - Equipment		
• Contractual amounts	111,273	722,213
	111,273	**727,337**

Depreciation on property, plant and equipment	52,456,947	61,954,925
Employee costs	132,675,506	102,872,124

Refer to note 25 for depreciation on property, plant and equipment. Refer to notes 23 and 24 for employee costs.

33. Auditors' remuneration

Fees	256,578	-

34. Cash generated from operations

(Deficit) surplus	(19,650,945)	18,415,862
Adjustments for:		
Depreciation and amortisation	52,456,947	61,954,925
Fair value adjustments	7,627,840	5,238,747
Impairment deficit	-	-
Debt impairment	48,554,979	13,042,384
Movements in provisions	1,582,466	-
Other non-cash	(19,724,334)	6,658,940
Internal Charges	(311,755)	634,832
Changes in working capital:		
Inventories	182,768	(249,610)
Other receivables from exchange transactions	4,505,456	(3,253,171)
Consumer debtors	(32,126,040)	(30,523,515)
Current portion of long-term receivables	(119,873)	(5,912,199)
Trade and other payables from exchange transactions	62,881,441	(3,155,142)
VAT	(3,040,805)	1,923,155
Unspent conditional grants and receipts	2,198,811	(11,231,563)
Consumer deposits	(271,394)	(39,996)
	104,745,562	**53,503,649**

35. Commitments

Authorised capital expenditure

Approved and contracted for:		
Infrastructure	7,168,758	65,728,000

36. Related parties

Key management information

Executive Mayor:	N. Tundzi
Speaker:	S. Monoane
Members of the Mayoral Committee:	J. M. Mafika (desceased 31 May, 2013)

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

36. Related parties (continued)

	T.A. Mncube
	G. Khoza
	A. Gela
	A. Ntshiba
	N. Mkhumbuzi
Municipal Manager:	T. C. Ndlovu
Section 57 Employees:	
CFO	C. Ledwaba
Executive Manager: Community Services	T. Morolo
Executive Manager: Infrastructure	M. Machaba
Executive Manager: Corporate Services	S. Maqhubu

Section 57 employees are related parties and have declared in writing that they have no contracts or interests in contracts with the municipality. Details are disclosed in note 23.

	2013	2012
West Rand District Municipality (WRDM)		
Balance unspent at the beginning of the year	6,666,705	6,666,705
Grants received from WRDM / Transfers to WRDM	(3,490,000)	2,000,000
Grants spend	-	(8,666,705)
	-	-
	3,176,705	**6,666,705**
Randfontein Local Municipality		
Opening balance	4,103,169	2,735,819
Mothlakeng sewer service charged (Purification on behlaf of Randfontein Municipality	-	8,207,457
Payments received from Randfontein Municipality	-	(6,840,106)
	4,103,169	**4,103,169**
Shared SCM (Debtor)	103,738	-
Shared Infrastructure (Creditor)	(567,320)	-
	(463,582)	**-**

37. Prior period errors

Management adjusted the vehicles and plant and equipement residual values during the current year to comply with GRAP 17. This resulted in changes to Property, plant and equipment and prior period accumulated funds. Further accumulated were identified during the review of the Property, plant and equipment fixed asset registers.

The correction of the error(s) results in adjustments to the prior year financial statements as follows:

	2012	**2011**
Statement of financial position		
Property, plant and equipment	(32,778,389)	(5,082,502)
Accumulated (deficit)/surplus	(2,899,787)	2,812,152
Statement of Financial Performance		
Depreciation	(2,960,872)	2,270,350

38. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 15, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

Figures in Rand	2013	2012

38. Risk management (continued)

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality's activities expose it to a variety of financial risks: local economic environment, market forces, cash flow interest rate risk and price risk, credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The main risk is represented by the deterioration of on-time collection of property taxes and service charges.

39. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had been experiencing cash flow difficulties in that the collections from consumer debtors are very low at some 88.25% (2012: 92%) of monthly billings and the collections for arrear debts have been steadily declining.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

40. Events after the reporting date

There are no post balance sheet events that have a bearing on these financial statements

41. Unauthorised, fruitless, wasteful and irregular expenditure

Fruitless and wasteful:

Interest on arrear Eskom accounts	4,438,187	2,387,502
Interest on arrear Rand Water accounts	228,303	-
	4,666,490	**2,387,502**

The fruitless expenditure regarding interest paid relates to interest charged by Eskom on the late settlement of the monthly Eskom accounts. Due to cash flow constrains the Municipality was unable to settle the Eskom accounts timeously and as a result Eskom charged the Municipality interest at a rate of 15% on the arrear accounts.

42. In-kind donations and assistance

The municipality did not receive in-kind donations for the current and prior years of reporting.

Figures in Rand	2013	2012

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

SALGA membership fees	182,689	646,752
Amount paid - current year	(182,689)	(646,752)
	-	-

Audit fees

Opening balance	-	(15,061)
Current year fee	-	2,523,403
Amount paid - current year	-	(2,526,012)
Balance overpaid (included in creditors)	**-**	**(17,670)**

PAYE and UIF

Current year payroll deductions	-	12,705,512
Amount paid - current year	-	(12,705,512)
Balance unpaid (included in creditors)	**-**	**-**

Pension and medical aid deductions

Current year payroll deductions and council contributions	-	27,308,614
Amount paid - current year	-	(27,337,324)
Balance overpaid (included in debtors)	**-**	**(28,710)**

VAT

VAT Input	45,079,364	11,622,350
VAT Output	(39,135,863)	(2,638,044)
	5,943,501	**8,984,306**

VAT output payables and VAT input receivables are shown in note and 5. All VAT returns have been submitted by the due date throughout the year.

44. Utilisation of long-term liabilities reconciliation

Long-term liabilities raised	26,167,729	21,288,777
Used to finance property, plant and equipment	(26,167,729)	(21,288,777)
	-	-

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Investments have been pledged to ensure that long-term liabilities can be repaid on redemption date.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviation from supply chain	4,791,371	12,834,078

46. Leases

It is the municipality's policy to lease certain vehicles under finance leases.

The effective interest rate is link to the prime rate and is repayable in 48 monthly installments of which the first was paid in July 2008. The last installment is payable end June 2012.

Operating lease obligation

Minimum lease payments due		
Within one (1) year	9,164	415,522
Year two (2) to five (5) inclusive	-	9,164
Minimum lease payments	**9,164**	**424,686**

It is the Municipality's policy to lease certain equipment and vehicles under operating leases. All operating leases are at a fixed rate of interest.

The operational leases for equipment is repayable in 60 monthly installments of which the first was paid in July 2008. The last installment is payable end June 2013. Some of the leases are subject to an annual escalation of 15% while the rest are at a fixed rate of interest.

The operational leases for vehicles range from 48 months to 60 months and are repayable in monthly installments over the lease term. The first installment was paid in April 2006 and the last installment will be paid in November 2014.

47. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net (deficit) surplus per the statement of financial performance	(19,650,945)	17,149,541
Adjusted for:		
Additional revenue	-	8,033,496
Savings on operational expenditure	-	(16,200,746)
Fair value adjustment	-	5,238,747
Net (deficit) surplus per approved budget	**(19,650,945)**	**14,221,038**

48. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E (1) for the comparison of actual operating expenditure versus budgeted expenditure.